



Laura Bateman
Carolinas Rates & Regulatory Strategy
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Posted: tod
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Date: 3/2/17
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February 28th, 2017

Jocelyn Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
Post office Drawer 11649
101 Executive Center Drive, Suite 100
Columbia, SC 29211

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Dear Mrs. Boyd:

Enclosed per Docket No. 2006-268-E is the quarterly report of Duke Energy Carolinas, LLC for the twelve months ending December 31st, 2016. Debt coverage ratio of earnings to Fixed Charges was 4.98 for this time period.

Please feel free to contact me at 919.546.3324 if you have any questions.

Sincerely,

Laura Bateman
Carolinas Rates & Regulatory Strategy
Duke Energy

Enclosures:

pc: Ms. Dawn Hipp, Director Utilities, Safety & Transportation
Office of Regulatory Staff
Mr. Willie Morgan, Deputy Director Utilities Rates
Office of Regulatory Staff
Mr. Dukes Scott, Executive Director
Electric & Gas Regulation
Office of Regulatory Staff

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CERTIFICATION

(Certification must be signed by the Chief Executive Officer and the Chief Financial Officer)

I, Lynn J. Good, state and attest, under penalty of perjury, that the attached South Carolina Quarterly Report is filed on behalf of Duke Energy Carolinas, LLC, as required by the Public Service Commission of South Carolina; that I have reviewed said report and, in the exercise of due diligence, have made reasonable inquiry into the accuracy of the information and representations provided therein; and that, to the best of my knowledge, information, and belief, all information contained therein is accurate and true and contains no false, fictitious, fraudulent or misleading statements; that no material information or fact has been knowingly omitted or misstated therein, and that all information contained therein has been prepared and presented in accordance with all applicable South Carolina general statutes, Commission rules and regulations, and applicable Commission Orders. Any violation of this Certification may result in the Commission initiating a formal earnings review proceeding.



Signature of President

Lynn J. Good

Typed or Printed Name of Person Signing

President, CEO & Chair of BOD

Title

2/23/17

Date Signed

Subscribed and sworn to before me this 23rd day of February, 2017.



Notary Public

My Commission Expires: 11/16/17



CERTIFICATION

(Certification must be signed by the Chief Executive Officer and the Chief Financial Officer)

I, Steven K. Young, state and attest, under penalty of perjury, that the attached South Carolina Quarterly Report is filed on behalf of Duke Energy Carolinas, LLC, as required by the Public Service Commission of South Carolina; that I have reviewed said report and, in the exercise of due diligence, have made reasonable inquiry into the accuracy of the information and representations provided therein; and that, to the best of my knowledge, information, and belief, all information contained therein is accurate and true and contains no false, fictitious, fraudulent or misleading statements; that no material information or fact has been knowingly omitted or misstated therein, and that all information contained therein has been prepared and presented in accordance with all applicable South Carolina general statutes, Commission rules and regulations, and applicable Commission Orders. Any violation of this Certification may result in the Commission initiating a formal earnings review proceeding.

Steven K. Young

Signature of Person Making Verification

Steven K. Young

Typed or Printed Name of Person Signing

Executive Vice President & CFO

Title

2/23/17

Date Signed

Subscribed and sworn to before me this 23rd day of February, 2017.



Amy E. Lueger

Notary Public

My Commission Expires: 11/16/17

Duke Energy Carolinas, LLC
Electric Operating Experience - Total Company & SC Retail
12 Months Ended December 31, 2016

Line No.	Description	Total Company			SC Retail		
		Regulatory Per Books	Pro-Forma Adjustments	As Adjusted	Regulatory Per Books	Pro-Forma Adjustments	As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		\$	\$	\$	\$	\$	\$
1	<u>Operating Revenues</u>	\$ 7,332,914	\$ (309,902)	\$ 7,023,012	\$ 1,770,448	\$ (87,552)	\$ 1,682,896
2	<u>Operating Expenses</u>						
3	O&M Expenses - Fuel	1,463,957	-	1,463,957	362,916	(740)	362,176
4	O&M Expenses - Purchased Power and Net Interchange	333,120	-	333,120	82,400	-	82,400
5	O&M Expenses - Wages, Benefits, Materials, etc.	2,027,409	(148,574)	1,878,835	481,147	(40,825)	440,322
6	Depreciation & Amortization Expenses	1,112,550	70,686	1,183,236	239,409	16,599	256,008
7	Taxes Other Than Income	272,465	11,925	284,390	82,686	3,221	85,807
8	Income Taxes	628,705	(111,815)	516,890	181,456	(29,648)	131,807.72
9	Investment Tax Credit	(5,263)	-	(5,263)	(1,216)	3	(1,213)
10	<u>Total Operating Expenses</u>	<u>5,832,943</u>	<u>(177,778)</u>	<u>5,655,165</u>	<u>1,408,697</u>	<u>(51,390)</u>	<u>1,357,307</u>
11	Operating Return	1,499,971	(132,124)	1,367,847	361,751	(36,162)	325,588
12	Customer Growth	-	5,437	5,437	-	5,437	5,437
13	Interest on Customer Deposits (Before Taxes)	8,570	-	8,570	1,012	-	1,012
14	<u>Total Income for Return</u>	<u>\$ 1,491,401</u>	<u>\$ (126,687)</u>	<u>\$ 1,364,714</u>	<u>\$ 360,739</u>	<u>\$ (30,725)</u>	<u>\$ 330,013</u>
15	<u>Rate Base</u>						
16	Plant in Service	\$ 36,314,873	\$ 1,036,949	\$ 37,351,822	\$ 8,270,392	\$ 210,214	\$ 8,480,606
17	Reserve for Depreciation	(14,705,830)	(70,686)	(14,776,516)	(3,349,731)	(6,611)	(3,356,342)
18	Net Plant	21,609,043	966,263	22,575,306	4,920,661	203,603	5,124,265
19	Construction Work in Progress	159,589	1,559,111	1,718,701	37,368	353,210	390,578
20	Other Rate Base	(429,817)	-	(429,817)	(99,299)	-	(99,299)
21	Total Working Capital	2,023,691	(18,572)	2,005,119	499,020	(5,103)	493,917
22	Materials & Supplies	1,657,050	(9,358)	1,647,692	388,976	(2,322)	386,654
23	Accumulated Deferred Income Taxes	(6,721,415)	(63,461)	(6,784,876)	(1,547,930)	(11,829)	(1,559,758)
24	<u>Total Rate Base</u>	<u>\$ 18,298,142</u>	<u>\$ 2,433,983</u>	<u>\$ 20,732,125</u>	<u>\$ 4,198,798</u>	<u>\$ 537,559</u>	<u>\$ 4,736,357</u>
25	<u>Rate of Return</u>	8.15%		6.58%	8.59%		6.97%
26	<u>Return on Equity</u>	11.17%		8.21%	12.00%		8.94%

Duke Energy Carolinas, LLC
Electric Accounting & Pro Forma Adjustments
Total Company
12 Months Ended December 31, 2016

Adj. #	Description	Revenues	O&M Expenses Fuel	O&M Expenses Other	Deprec. & Amort. Expense	Taxes Other Than Income	Interest on Customer Deposits	Income Taxes @ 0.375235 37.52%	Investment Tax Credit
1	To Annualize Depreciation on Year-End Plant	\$ -	\$ -	\$ -	\$ 34,798	\$ -	\$ -	\$ (13,067)	\$ -
2	To Annualize Wage Rate Increase	-	-	6,144	-	379	-	(2,448)	-
3	To Update for Increased Benefits Costs	-	-	2,261	-	-	-	(848)	-
4	To Annualize Property Taxes on Year-End Plant	-	-	-	-	6,626	-	(2,486)	-
5	To Reflect CWIP Closings to Plant	-	-	-	35,888	4,948	-	(16,323)	-
6	To Adjust Income Taxes to Reflect Interest Synchronization	-	-	-	-	-	-	(20,282)	-
7	To eliminate unbilled revenues	(29,076)	-	-	-	(27)	-	(10,900)	-
8	Adjust coal inventory	-	-	-	-	-	-	-	-
9	Adjust the amount of CWIP in rate base	-	-	-	-	-	-	-	-
10	Adjust 1/8 O&M for accounting and pro forma adjustments	-	-	-	-	-	-	-	-
11	To Exclude Greenwood Operations	-	-	-	-	-	-	-	-
12	To Normalize Nuclear Refueling Outage Costs	-	-	(5,718)	-	-	-	2,146	-
13	To remove DSM/EE program revenues and program costs	(280,826)	-	(151,261)	-	-	-	(48,617)	-
		-	-	-	-	-	-	-	-
TOTAL - ALL PRO FORMAS		\$ (309,902)	\$ -	\$ (148,574)	\$ 70,686	\$ 11,925	\$ -	\$ (111,815)	\$ -
		0	0	0	0	0	0	0	0

Adj. #	Description	Plant in Service	Accum. Deprec.	CWIP	ADIT	Other Rate Base	Working Cash	Materials & Supplies
1	To Annualize Depreciation on Year-End Plant	\$ -	\$ (34,798)	\$ -	\$ -	\$ -	\$ -	\$ -
2	To Annualize Wage Rate Increase	-	-	-	-	-	-	-
3	To Update for Increased Benefits Costs	-	-	-	-	-	-	-
4	To Annualize Property Taxes on Year-End Plant	-	-	-	-	-	-	-
5	To Reflect CWIP Closings to Plant	1,036,949	(35,888)	-	(63,461)	-	-	-
6	To Adjust Income Taxes to Reflect Interest Synchronization	-	-	-	-	-	-	-
7	To eliminate unbilled revenues	-	-	-	-	-	-	-
8	Adjust coal inventory	-	-	-	-	-	-	(9,358)
9	Adjust the amount of CWIP in rate base	-	-	1,559,111	-	-	-	-
10	Adjust 1/8 O&M for accounting and pro forma adjustments	-	-	-	-	-	(18,572)	-
11	To Exclude Greenwood Operations	-	-	-	-	-	-	-
12	To Normalize Nuclear Refueling Outage Costs	-	-	-	-	-	-	-
13	To remove DSM/EE program revenues and program costs	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
TOTAL - ALL PRO FORMAS		\$ 1,036,949	\$ (70,686)	\$ 1,559,111	\$ (63,461)	\$ -	\$ (18,572)	\$ (9,358)
		0	0	0	0	0	(10)	(10)

Duke Energy Carolinas, LLC
Electric Accounting & Pro Forma Adjustments
SC Retail
12 Month Ended December 31, 2016

[illegible]

A. #	Description	Plant Services	Accounting Codes	CHRP	ADIT	Deferred Debit	Working Capital	Maintenance & Supplies
1	To Annualize Depreciation on Year-End Plant	\$	\$ (8,094)	\$	\$	\$	\$	\$
2	To Annualize Wage Rate Increases	-	-	-	-	-	-	-
3	To Update for Increased Benefits Costs	-	-	-	-	-	-	-
4	To Annualize Property Taxes on Year-End Plant	-	-	-	-	-	-	-
5	To Reflect CHRP Change to Plant	236,600	(8,269)	-	(14,480)	-	-	-
6	To Adjust Income Taxes to Reflect Interest Synchroization	-	-	-	-	-	-	-
7	To eliminate unfiled revenues	-	-	-	-	-	-	-
8	Adjust coal inventory	-	-	353,210	-	-	-	(2,322)
9	Adjust the amount of CHRP in rate base	-	-	-	-	-	-	-
10	Adjust 1/8 OIAM for accounting and pro forma adjustments	-	-	-	-	-	(5,103)	-
11	To Exclude Greenwood Operations	(26,386)	10,752	-	2,651	-	-	-
12	To Normalize Nuclear Refueling Outage Costs	-	-	-	-	-	-	-
13	To remove DSMEEE program revenues and program costs	-	-	-	-	-	-	-
TOTAL ALL PRO FORMAS		\$ 210,216	\$ (6,611)	\$ 353,210	\$ (11,829)	\$ -	\$ (5,103)	\$ (2,322)

Duke Energy Carolinas, LLC
Statement of Fixed Assets - Electric
12 Months Ended December 31, 2016

Line No.	Description	Total Company			SC Retail		
		Per Books	Adjustments	As Adjusted ¹	Per Books	Adjustments	As Adjusted
		(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		\$	\$	\$	\$	\$	\$
<u>Gross Plant in Service</u>							
1	Intangible Plant	\$ 817,550	\$ 128,770	\$ 946,320	\$ 186,243	\$ 29,017	\$ 215,260
2	Production	20,259,922	484,803	20,744,726	4,615,346	114,754	4,727,099
3	Transmission	3,568,697	130,028	3,698,725	810,728	24,006	834,734
4	Distribution	10,753,028	159,396	10,912,424	2,449,612	40,264	2,489,876
5	General	903,892	133,952	1,037,844	205,913	31,560	237,472
6	Common		-	-		-	-
	Subtotal	36,303,090	1,036,949	37,340,039	8,267,841	236,600	8,504,441
7	Plant Held for Future Use	11,784	-	11,784	2,551	-	2,551
8	Greenwood					(26,386)	(26,386)
9	Total Gross Plant in Service	\$ 36,314,873	\$ 1,036,949	\$ 37,351,822	\$ 8,270,392	\$ 210,214	\$ 8,480,606
<u>Construction Work in Progress</u>							
10	Production	\$ 123,604	\$ 1,222,839	\$ 1,346,443	\$ 29,416	\$ 281,880	\$ 311,296
11	Transmission	11,463	183,288	194,751	2,077	33,839	35,916
12	Distribution	4,478	91,911	96,389	1,129	23,217	24,346
13	General	7,914	49,789	57,704	1,874	11,731	13,605
14	Intangible	12,130	11,284	23,414	2,873	2,543	5,415
15	Total Construction Work in Progress	\$ 159,589	\$ 1,559,111	\$ 1,718,701	\$ 37,368	\$ 353,210	\$ 390,578

Duke Energy Carolinas, LLC
Reserve for Depreciation - Electric
 12 Months Ended December 31, 2016

Line No.	Description	Total Company			SC Retail		
		<u>Per Books</u>	<u>Adjustments</u>	<u>As Adjusted</u>	<u>Per Books</u>	<u>Adjustments</u>	<u>As Adjusted</u>
(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)	
	\$	\$	\$	\$	\$	\$	
1	Intangible Plant	\$ (502,789)	\$ (3,683)	\$ (506,472)	\$ (114,539)	\$ (830)	\$ (115,369)
2	Production	(7,890,242)	(24,661)	(7,914,903)	(1,797,450)	(5,685)	(1,803,135)
3	Transmission	(1,389,507)	(5,102)	(1,394,609)	(316,183)	(942)	(317,125)
4	Distribution	(4,561,334)	(7,279)	(4,568,614)	(1,039,102)	(2,847)	(1,041,950)
5	General	(361,957)	(29,961)	(391,918)	(82,456)	(7,059)	(89,515)
6	Common						
7	Greenwood					10,752	10,752
8	Total Reserve for Depreciation	\$ (14,705,830)	\$ (70,686)	\$ (14,776,516)	\$ (3,349,731)	\$ (6,611)	\$ (3,356,342)

Duke Energy Carolinas, LLC
Other Rate Base - Electric
 12 Months Ended December 31, 2016

Line No.	Description	Total Company			SC Retail		
		Per Books	Adjustments	As Adjusted	Per Books	Adjustments	As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		\$	\$	\$	\$	\$	\$
1	Operating Reserves	\$ (429,817)	\$ -	\$ (429,817)	\$ (99,299)	\$ -	\$ (99,299)
2							
3							
4							
5							
6							
7							
8	Total Other Rate Base	\$ (429,817)	\$ -	\$ (429,817)	\$ (99,299)	\$ -	\$ (99,299)

Duke Energy Carolinas, LLC
Total Working Capital - Electric
12 Months Ended December 31, 2016

Line No.	Description	Total Company			SC Retail		
		Per Books	Adjustments	As Adjusted	Per Books	Adjustments	As Adjusted
(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)	(Col. 8)
	\$	\$	\$	\$	\$	\$	\$
1	Twelve Month O&M Expenses	\$ 3,197,388	\$ (148,574)	\$ 3,048,813	\$ 771,116	\$ (40,825)	\$ 730,291
2	Working Cash (1/8 of O&M Expenses on Line 1)	\$ 399,673	\$ (18,572)	\$ 381,102	\$ 96,390	\$ (5,103)	\$ 91,286
3	Average Tax Accruals	(61,386)	-	(61,386)	(14,150)	-	(14,150)
4	Subtotal: Investor Funds for Operations	338,288	(18,572)	319,716	82,239	(5,103)	77,136
5	Unamortized Debt	118,223	-	118,223	26,078	-	26,078
6	Required Bank Balance	300	-	300	25,173	-	25,173
7	Prepayments	7,933	-	7,933	1,807	-	1,807
8	Customer Deposits	(132,008)	-	(132,008)	(29,289)	-	(29,289)
9	Other	1,690,955	-	1,690,955	393,011	-	393,011
Other Detail							
	Pension Funding	435,182		435,182	102,380		102,380
	SC DEP Deferred Depreciation and Reg Liability-book depreciation	(3,613)		(3,613)	(10,186)		(10,186)
	COR Reversal	102,794		102,794	44,798		44,798
	WC - Other - Injuries and Damages	555,231		555,231	130,623		130,623
	Reg Asset - FAS 109/Tax related	516,048		516,048	196,291		196,291
	SC Storm Reserve	(21,512)		(21,512)	(21,512)		(21,512)
	Other Misc	106,826		106,826	(49,384)		(49,384)
10	Total Working Capital	\$ 2,023,691	\$ (18,572)	\$ 2,005,119	\$ 499,020	\$ (5,103)	\$ 493,917

Duke Energy Carolinas, LLC
Materials & Supplies - Electric
 12 Months Ended December 31, 2016

Line No.	Description	Total Company			SC Retail		
		Per Books	Adjustments	As Adjusted	Per Books	Adjustments	As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)	(Col. 6)	(Col. 7)
		\$	\$	\$	\$	\$	\$
	Fuel Stock						
1	Fossil	290,784	(9,358)	281,426	72,155	(2,322)	69,833
2	Nuclear	566,074		566,074	140,466		140,466
3	Total Fuel Stock	856,857	(9,358)	847,499	212,621	(2,322)	210,299
4	Emission Allowances	36,522	-	36,522	8,049	-	8,049
5	Other Electric Materials and Supplies	763,671	-	763,671	168,306	-	168,306
6	Total Materials & Supplies	\$ 1,657,050	\$ (9,358)	\$ 1,647,692	\$ 388,976	\$ (2,322)	\$ 386,654

Note: (a) Adjustment to per book coal inventory balance to reflect target inventory level.

	Total Company	SC Retail
Coal Inventory Target Level (in tons)	2,525	
Price per Ton - Coal	\$97.50	
Total Company Pro Forma Inventory	<u>\$ 246,203</u>	<u>\$ 61,093</u>
Per Book Coal Inventory	\$255,561.16	\$63,415.04
Coal Adjustment	<u>\$ (9,358)</u>	<u>\$ (2,322)</u>

Duke Energy Carolinas, LLC
Cost of Capital and Credit Ratings
12 Months Ended December 31, 2018

Total Company													
As Adjusted													
Per Books													
Line No.	Description	Amount (Col. 1)	Bid (Col. 2)	Retail Rate Base (Col. 3)	Embedded Cost/Return (Col. 4)	Weighted Cost/Return (Col. 5)	Operating Income (Col. 6)	Amount (Col. 7)	Ratio (Col. 8)	Retail Rate Base (Col. 9)	Embedded Cost/Return (Col. 10)	Weighted Cost/Return (Col. 11)	Operating Income (Col. 12)
1	Long Term Debt	\$ 9,532,735	46.95%	\$ 8,591,100	4.74%	2.23%	\$ 407,218	\$ 9,532,735	46.95%	\$ 8,733,871	4.74%	2.23%	\$ 461,385
2	Preferred Stock												
3	Common Equity	10,770,992	53.05%	9,707,042	11.17%	5.93%	1,094,183	10,770,992	53.05%	10,998,254	8.21%	4.98%	903,329
4	Total	\$ 20,303,728	100.00%	\$ 18,298,142			\$ 1,491,401	\$ 20,303,728	100.00%	\$ 20,732,125			\$ 1,364,714

South Carolina													
As Adjusted													
Per Books													
Line No.	Description	Amount (Col. 1)	Bid (Col. 2)	Retail Rate Base (Col. 3)	Embedded Cost/Return (Col. 4)	Weighted Cost/Return (Col. 5)	Operating Income (Col. 6)	Amount (Col. 7)	Ratio (Col. 8)	Retail Rate Base (Col. 9)	Embedded Cost/Return (Col. 10)	Weighted Cost/Return (Col. 11)	Operating Income (Col. 12)
5	Long Term Debt	\$ 9,532,735	46.95%	\$ 1,971,384	4.74%	2.23%	\$ 93,443	\$ 9,532,735	46.95%	\$ 2,223,751	4.74%	2.23%	\$ 105,406
6	Preferred Stock												
7	Common Equity	10,770,992	53.05%	2,227,434	12.00%	6.37%	267,256	10,770,992	53.05%	2,512,606	8.94%	4.74%	224,697
8	Total	\$ 20,303,728	100.00%	\$ 4,198,798			\$ 360,738	\$ 20,303,728	100.00%	\$ 4,736,357			\$ 330,613

Notes: (a) Long term debt includes Mortgage and Pollution Control Bonds, Senior Debt, Capital Leases and Unamortized Debt expense, discounts and premiums. Current long term debt maturities are excluded.

(b) Includes net of tax Progress merger costs to achieve of approximately \$6 million.

(c) Includes net of tax Fluoridizer merger costs to achieve of approximately \$9 thousand.